

DOCKET SECTION

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

RECEIVED

Postal Rate and Fee Changes, 1997

Docket No. R97-1

FEB 9 2 58 PM '98

U.S. MAIL FACILITY  
OFFICE OF THE SECRETARY

**NEWSPAPER ASSOCIATION OF AMERICA  
WITNESS SHARON CHOWN  
ANSWERS TO INTERROGATORIES OF  
UNITED STATES POSTAL SERVICE (USPS/NAA-T1-1-5)  
February 9, 1998**

The Newspaper Association of America hereby provides answers of witness Sharon Chown to the following interrogatories of the United States Postal Service (USPS/NAA-T1-1-5) filed on January 26, 1998.

Each interrogatory is stated verbatim and is followed by the answer. A declaration is attached.

Respectfully submitted,

NEWSPAPER ASSOCIATION OF AMERICA

By:   
William B. Baker


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**CERTIFICATE OF SERVICE**

I hereby certify that I have this date served the instant document on all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

February 9, 1998

  
William B. Baker

NAA WITNESS CHOWN ANSWERS TO INTERROGATORIES  
OF THE UNITED STATES POSTAL SERVICE

USPS/NAA-T1-1. Please refer to your testimony at page 5.

- (a) Please confirm that sorting mail to delivery point sequence (DPS) can take place either in the "mail processing" function (automated Function 1 or Function 4 DPS, Cost Segment 3.1) or the "delivery" function (manual DPS by city carriers, Cost Segment 6). If you do not confirm, please explain fully why not, providing your understanding of Postal Service sorting operations.
- (b) How would it have affected your testimony if you had classified Cost Segment 6 as a separate "unbundled element"? Please provide revised Tables 1-3, treating Cost Segment 6 as a separate "unbundled element."
- (c) How would it have affected your testimony if you had classified Cost Segment 6 as a part of the "mail processing" function? Please provide revised Tables 1-3, treating Cost Segment 6 as part of the "mail processing" function.

Answer:

- (a) Confirmed.
- (b) & (c) See attached tables.

To respond to these questions, separate piggyback factors are needed for each subclass for Cost Segment 6 and Cost Segment 7. While Library Reference H-77 provides separate piggyback factors for the total costs of these two cost segments (page 80A), it does not provide separate piggyback factors for each subclass for each of the two cost segments. Therefore, I estimated separate piggyback factors for the two cost segments for each subclass by taking the subclass piggyback factors on page 87 and multiplying these factors by the ratio of the total piggyback factor for each cost segment (page 80A, line 34, columns (A) and (B)) to the piggyback factor for the total of the two cost segments (page 80A, line 34, Column (C)).

NAA WITNESS CHOWN ANSWERS TO INTERROGATORIES  
OF THE UNITED STATES POSTAL SERVICE

Hence, the piggyback factors for Cost Segment 6 for each subclass are equal to the piggyback factors on page 87 multiplied by 1.28620 divided by 1.31469 or 0.97833 and the piggyback factors for Cost Segment 7 for each subclass are equal to the piggyback factors on page 87 multiplied by 1.35093 divided by 1.31469 or 1.02757. This approximation should provide a reasonable estimate of the separate piggyback factors for Cost Segments 6 and 7 for each subclass.

**Exhibit NAA-1A**  
**ATTRIBUTABLE COSTS BY FUNCTION**  
After Rates, Totals Include Contingency Fee

Attachment to  
USPS/NAA-T1-1(b)  
Page 1 of 5

Line No.	Description	Mail Processing Costs		Piggyback Factor	Mail
		CS 3.1	CS 4		Processing Total
First-Class Mail					
1	Single-Piece Letters	4,899,112	2,645	1.56702	7,757,963
2	Worksharing Letters	1,221,871	631	1.60350	1,979,885
3	Total Letters	6,120,983	3,276		9,737,848
4	Single-Piece Cards	137,636	77	1.53045	212,870
5	Worksharing Postcards	49,979	26	1.53597	77,574
6	Total Cards	187,615	103		290,445
7	Total First-Class Mail	6,308,598	3,379		10,028,292
8	Priority Mail	534,646	137	1.55900	842,064
9	Express Mail	96,575	0	1.55108	151,294
10	Mailgrams	95	0	1.28619	123
Periodicals					
11	In-County	15,977	3	1.47714	23,841
12	Outside County				
13	Nonprofit	82,589	16	1.52572	127,292
14	Classroom	4,765	1	1.52048	7,319
15	Regular Rate	493,023	97	1.51853	756,306
16	Total Periodicals	596,354	117		914,758
Standard A Mail					
17	Single Piece	87,560	23	1.58271	0
18	Commercial Regular	1,900,197	495	1.56284	3,000,182
19	Commercial ECR	270,838	66	1.56331	427,742
20	Total Commercial	2,258,595	584		3,427,924
21	Nonprofit	404,828	107	1.55015	633,987
22	Nonprofit ECR	26,167	6	1.58836	41,988
23	Total Nonprofit	430,995	113		675,975
24	Total Standard A Mail	2,689,590	697		4,103,899
Standard B Mail					
25	Parcel Post	157,448		1.73911	276,558
26	Bound Printed Matter	80,829		1.69684	138,525
27	Special Rate	72,355		1.75785	128,461
28	Library Rate	15,581		1.70038	26,759
29	Total Standard B Mail	326,213			570,303
30	USPS Penalty Mail	80,180		1.49609	0
31	Free-for-the-Blind, etc.	12,075		1.62782	19,852
32	International Mail	212,491		1.55626	333,998
33	TOTAL ALL MAIL	10,856,817	4,330		16,964,584
34	Special Services	119,150	98	1.82894	220,278
35	TOTAL ATTRIBUTABLE COSTS	10,975,967	4,428	0.36887	17,184,862
36	INSTITUTIONAL COSTS	3,319,599	5,651	1.52834	5,132,943

1.0% Contingency Fee included in  
totals for each service.

Piggyback Adjustment Factor

**Exhibit NAA-1A**  
**ATTRIBUTABLE COSTS BY FUNCTION**  
After Rates, Totals Include Contingency Fee

Attachment to  
USPS/NAA-T1-1(b)  
Page 2 of 5

Line No.	Description	In-Office City Delivery CS 6	Piggyback Factor	In-Office City Delivery Total	Window Service CS 3.2	Piggyback Factor	Window Service Total
<b>First-Class Mail</b>							
1	Single-Piece Letters	1,205,922	1.28315	1,562,850	525,379	1.41856	752,734
2	Worksharing Letters	487,489	1.29144	635,860	24,113	1.41858	34,548
3	Total Letters	1,693,411		2,198,710	549,492		787,283
4	Single-Piece Cards	47,972	1.28840	62,425	33,661	1.41856	48,228
5	Worksharing Postcards	19,282	1.28948	25,112	1,016	1.41920	1,456
6	Total Cards	67,254		87,538	34,677		49,684
7	Total First-Class Mail	1,760,665		2,286,248	584,169		836,967
8	Priority Mail	39,203	1.34902	53,414	51,186	1.41856	73,337
9	Express Mail	3,516	1.38750	4,927	27,063	1.41856	38,774
10	Mailgrams	0	1.38662	0	0	1.41854	0
<b>Periodicals</b>							
11	In-County	13,016	1.28080	16,838	502	1.42406	722
12	Outside County						
13	Nonprofit	31,721	1.28082	41,035	245	1.41129	349
14	Classroom	891	1.27795	1,150	0	0.00000	0
15	Regular Rate	137,797	1.27837	177,918	2,389	1.41784	3,421
16	Total Periodicals	183,425		236,940	3,136		4,492
<b>Standard A Mail</b>							
17	Single Piece	20,459	1.29747	0	2,828	1.41902	0
18	Commercial Regular	570,875	1.27869	737,270	29,333	1.41860	42,028
19	Commercial ECR	349,354	1.27657	450,436	5,956	1.41834	8,532
20	Total Commercial	940,688		1,187,706	38,117		50,560
21	Nonprofit	114,711	1.27847	148,121	9,685	1.41852	13,876
22	Nonprofit ECR	22,172	1.27543	28,562	878	1.42001	1,259
23	Total Nonprofit	136,883		176,683	10,563		15,135
24	Total Standard A Mail	1,077,571		1,364,388	48,680		65,695
<b>Standard B Mail</b>							
25	Parcel Post	7,865	1.33610	10,614	6,623	1.44380	9,658
26	Bound Printed Matter	9,492	1.37472	13,179	720	1.42112	1,033
27	Special Rate	6,921	1.34638	9,411	3,592	1.41863	5,147
28	Library Rate	596	1.35829	818	101	1.38679	141
29	Total Standard B Mail	24,874		34,022	11,036		15,979
30	USPS Penalty Mail	8,120	1.27571	0	12,599	1.41851	0
31	Free-for-the-Blind, etc.	1,596	1.27139	2,049	216	1.41935	310
32	International Mail	10,496	1.32444	14,040	24,292	1.41854	34,804
33	<b>TOTAL ALL MAIL</b>	<b>3,109,466</b>		<b>3,996,030</b>	<b>762,377</b>		<b>1,070,358</b>
34	Special Services	42,433	1.26763	54,327	230,461	1.41855	330,190
35	<b>TOTAL ATTRIBUTABLE COSTS</b>	<b>3,151,899</b>		<b>4,050,357</b>	<b>992,838</b>		<b>1,400,548</b>
36	<b>INSTITUTIONAL COSTS</b>	<b>407,192</b>	<b>1.26767</b>	<b>521,349</b>	<b>1,058,584</b>	<b>1.36972</b>	<b>1,464,467</b>
<b>1.0% Contingency Fee included in totals for each service.</b>							
			0.97833				

## Exhibit NAA-1A

## ATTRIBUTABLE COSTS BY FUNCTION

After Rates, Totals Include Contingency Fee

Attachment to  
USPS/NAA-T1-1(b)

Page 3 of 5

Line No.	Description	Transportation Costs CS 14	City Delivery Street Time CS 7	Delivery Costs Piggyback Factor	Vehical Service Drivers CS 8	VS Drivers Piggyback Factor
First-Class Mail						
1	Single-Piece Letters	625,377	589,656	1.34772	30,419	1.57417
2	Worksharing Letters	274,740	410,951	1.35644	20,191	1.56117
3	Total Letters	900,117	1,000,607		50,610	
4	Single-Piece Cards	9,292	35,078	1.35324	242	1.55307
5	Worksharing Postcards	3,070	20,548	1.35437	241	1.50568
6	Total Cards	12,362	55,626		483	
7	Total First-Class Mail	912,479	1,056,233		51,093	
8	Priority Mail	801,977	91,670	1.41691	24,852	1.53564
9	Express Mail	68,466	21,055	1.45732	1,718	1.55041
10	Mailgrams	0	194	1.45640	1	1.00000
Periodicals						
11	In-County	66	12,021	1.34526	2,484	1.56783
12	Outside County					
13	Nonprofit	64,043	28,889	1.34528	6,167	1.57706
14	Classroom	1,993	663	1.34227	245	1.60828
15	Regular Rate	279,349	100,320	1.34271	32,339	1.56908
16	Total Periodicals	345,450	141,893		41,235	
Standard A Mail						
17	Single Piece	0	9,643	1.36277	498	1.54661
18	Commercial Regular	317,864	416,889	1.34304	49,525	1.54612
19	Commercial ECR	61,321	386,059	1.34082	39,615	1.55147
20	Total Commercial	379,185	812,591		89,638	
21	Nonprofit	60,529	92,484	1.34281	7,568	1.55569
22	Nonprofit ECR	7,160	21,095	1.33962	1,800	1.55785
23	Total Nonprofit	67,689	113,579		9,368	
24	Total Standard A Mail	446,875	926,170		99,006	
Standard B Mail						
25	Parcel Post	327,576	41,431	1.40335	29,452	1.54678
26	Bound Printed Matter	64,762	48,823	1.44390	15,584	1.55389
27	Special Rate	60,023	23,809	1.41414	5,520	1.56238
28	Library Rate	13,062	3,997	1.42665	625	1.57491
29	Total Standard B Mail	465,424	118,060		51,181	
30	USPS Penalty Mail	0	3,577	1.33991	994	1.62076
31	Free-for-the-Blind, etc.	4,242	2,241	1.33537	620	1.54646
32	International Mail	763,912	12,623	1.39110	5,606	1.58193
33	<b>TOTAL ALL MAIL</b>	<b>3,808,826</b>	<b>2,373,716</b>		<b>276,306</b>	
34	Special Services	0	84,326	1.33143	0	
35	<b>TOTAL ATTRIBUTABLE COSTS</b>	<b>3,808,826</b>	<b>2,458,042</b>		<b>276,306</b>	
36	<b>INSTITUTIONAL COSTS</b>	<b>556,090</b>	<b>5,943,399</b>	<b>1.33240</b>	<b>172,666</b>	<b>1.54511</b>

1.0% Contingency Fee included in  
totals for each service.

1.02757

Exhibit NAA-1A  
**ATTRIBUTABLE COSTS BY FUNCTION**  
 After Rates, Totals Include Contingency Fee

Attachment to  
 USPS/NAA-T1-1(b)  
 Page 4 of 5

Line No.	Description	Special Delivery CS 9	Spec. Del. Piggyback Factor	Rural Carriers CS 10	Rural Carrier Piggyback Factor	Total Delivery Costs
<b>First-Class Mail</b>						
1	Single-Piece Letters	729	1.49657	308,636	1.19701	1,225,241
2	Worksharing Letters	346	1.48285	286,874	1.19693	942,161
3	Total Letters	1,075		595,510		2,167,401
4	Single-Piece Cards	39	1.45000	19,991	1.19702	72,549
5	Worksharing Postcards	22	1.31818	14,421	1.19661	45,933
6	Total Cards	61		34,412		118,482
7	Total First-Class Mail	1,136		629,922		2,285,883
8	Priority Mail	1,164	1.49376	15,607	1.19650	190,349
9	Express Mail	50,446	1.49538	5,397	1.19693	116,396
10	Mailgrams	53	1.43396	13	1.07692	377
<b>Periodicals</b>						
11	In-County	3	1.00000	14,487	1.19696	37,783
12	Outside County					0
13	Nonprofit	5	1.20000	34,714	1.19697	91,049
14	Classroom	0	0.00000	763	1.19805	2,220
15	Regular Rate	23	1.39130	114,811	1.19696	326,128
16	Total Periodicals	31		164,775		457,180
<b>Standard A Mail</b>						
17	Single Piece	8	1.50000	1,320	1.19660	0
18	Commercial Regular	8	1.28571	393,561	1.19684	1,118,584
19	Commercial ECR	5	1.20000	264,433	1.19686	904,548
20	Total Commercial	21		659,314		2,023,132
21	Nonprofit	3	1.00000	82,285	1.19691	236,797
22	Nonprofit ECR	3	1.00000	12,670	1.19672	46,691
23	Total Nonprofit	6		94,955		283,488
24	Total Standard A Mail	27		754,269		2,306,621
<b>Standard B Mail</b>						
25	Parcel Post	44	1.38297	11,068	1.19684	118,175
26	Bound Printed Matter	3	1.00000	11,706	1.19687	109,812
27	Special Rate	3	1.00000	5,691	1.19676	49,598
28	Library Rate	3	1.00000	1,228	1.19783	8,242
29	Total Standard B Mail	53		29,693		285,828
30	USPS Penalty Mail	1	1.00000	1,317	1.19741	0
31	Free-for-the-Blind, etc.	0	0.00000	786	1.19592	4,940
32	International Mail	8,071	1.49531	2,560	1.19639	41,975
33	<b>TOTAL ALL MAIL</b>	<b>60,982</b>		<b>1,604,339</b>		<b>5,689,550</b>
34	Special Services	60	1.44615	70,136	1.19682	198,264
35	<b>TOTAL ATTRIBUTABLE COSTS</b>	<b>61,042</b>		<b>1,674,475</b>		<b>5,887,814</b>
36	<b>INSTITUTIONAL COSTS</b>	<b>53,072</b>	<b>1.47535</b>	<b>2,047,129</b>	<b>1.18276</b>	<b>10,792,205</b>

1.0% Contingency Fee included in totals for each service.

## ATTRIBUTABLE COSTS BY FUNCTION

After Rates, Totals Include Contingency Fee

Line No.	Description	Other Costs & Adjustments	Total Attributable
<b>First-Class Mail</b>			
1	Single-Piece Letters	834,500	12,758,664
2	Worksharing Letters	179,890	4,047,084
3	Total Letters	1,014,389	16,805,748
4	Single-Piece Cards	26,896	432,261
5	Worksharing Postcards	6,977	160,123
6	Total Cards	33,873	592,384
7	Total First-Class Mail	1,048,263	17,398,132
8	Priority Mail	305,076	2,266,217
9	Express Mail	30,707	410,564
10	Mailgrams	7	508
<b>Periodicals</b>			
11	In-County	2,111	81,360
12	Outside County	0	
13	Nonprofit	7,703	331,471
14	Classroom	73	12,755
15	Regular Rate	34,768	1,577,889
16	Total Periodicals	44,654	2,003,475
<b>Standard A Mail</b>			
17	Single Piece	-298	-298
18	Commercial Regular	-24,255	5,191,674
19	Commercial ECR	32,669	1,885,248
20	Total Commercial	8,117	7,076,624
21	Nonprofit	13,794	1,107,105
22	Nonprofit ECR	-539	125,121
23	Total Nonprofit	13,256	1,232,226
24	Total Standard A Mail	21,372	8,308,850
<b>Standard B Mail</b>			
25	Parcel Post	10,746	753,327
26	Bound Printed Matter	18,700	346,013
27	Special Rate	4,219	256,860
28	Library Rate	63	49,085
29	Total Standard B Mail	33,728	1,405,285
30	USPS Penalty Mail	0	0
31	Free-for-the-Blind, etc.	363	31,757
32	International Mail	17,300	1,206,030
33	<b>TOTAL ALL MAIL</b>	<b>1,501,471</b>	<b>33,030,818</b>
34	Special Services	481,795	1,284,854
35	<b>TOTAL ATTRIBUTABLE COSTS</b>	<b>1,983,266</b>	<b>34,315,672</b>
36	<b>INSTITUTIONAL COSTS</b>	<b>0</b>	<b>26,997,063</b>

1.0% Contingency Fee included in  
totals for each service.



**Exhibit NAA-1B**  
**ATTRIBUTABLE COSTS BY FUNCTION AND SUBCLASS**  
 (Test Year After Rates)

Page 1 of 2

Line No.	Description	Mail Processing	In-Office City Delivery	Window Service	Transportation Costs	Delivery Costs	Other Costs & Adjustment	Total Attributable Costs
<b>First-Class Mail</b>								
1	Single-Piece Letters	7,757,963	1,562,850	752,734	625,377	1,225,241	834,500	12,758,664
2	Worksharing Letters	1,979,885	635,860	34,548	274,740	942,161	179,890	4,047,084
3	<b>Total Letters</b>	<b>9,737,848</b>	<b>2,198,710</b>	<b>787,283</b>	<b>900,117</b>	<b>2,167,401</b>	<b>1,014,389</b>	<b>16,805,748</b>
4	Single-Piece Cards	212,870	62,425	48,228	9,292	72,549	26,896	432,261
5	Worksharing Postcards	77,574	25,112	1,456	3,070	45,933	6,977	160,123
6	<b>Total Cards</b>	<b>290,445</b>	<b>87,538</b>	<b>49,684</b>	<b>12,362</b>	<b>118,482</b>	<b>33,873</b>	<b>592,384</b>
7	<b>Total First-Class Mail</b>	<b>10,028,292</b>	<b>2,286,248</b>	<b>836,967</b>	<b>912,479</b>	<b>2,285,883</b>	<b>1,048,263</b>	<b>17,398,132</b>
8	Priority Mail	842,064	53,414	73,337	801,977	190,349	305,076	2,266,217
9	Express Mail	151,294	4,927	38,774	68,466	116,396	30,707	410,564
10	Mailgrams	123	0	0	0	377	7	508
<b>Periodicals</b>								
11	In-County	23,841	16,838	722	66	37,783	2,111	81,360
12	Outside County	0	0			0	0	0
13	Nonprofit	127,292	41,035	349	64,043	91,049	7,703	331,471
14	Classroom	7,319	1,150	0	1,993	2,220	73	12,755
15	Regular Rate	756,306	177,918	3,421	279,349	326,128	34,768	1,577,889
16	<b>Total Periodicals</b>	<b>914,758</b>	<b>236,940</b>	<b>4,492</b>	<b>345,450</b>	<b>457,180</b>	<b>44,654</b>	<b>2,003,475</b>
<b>Standard A Mail</b>								
17	Single Piece	0	0	0	0	0	-298	-298
18	Commercial Regular	3,000,182	737,270	42,028	317,864	1,118,584	-24,255	5,191,674
19	Commercial ECR	427,742	450,436	8,532	81,321	904,548	32,869	1,885,248
20	<b>Total Commercial</b>	<b>3,427,924</b>	<b>1,187,706</b>	<b>50,560</b>	<b>379,185</b>	<b>2,023,132</b>	<b>8,117</b>	<b>7,076,624</b>
21	Nonprofit	633,987	148,121	13,876	60,529	236,797	13,794	1,107,105
22	Nonprofit ECR	41,988	28,562	1,259	7,160	46,691	-539	125,121
23	<b>Total Nonprofit</b>	<b>675,975</b>	<b>176,683</b>	<b>15,135</b>	<b>67,689</b>	<b>283,488</b>	<b>13,256</b>	<b>1,232,226</b>
24	<b>Total Standard A Mail</b>	<b>4,103,899</b>	<b>1,364,388</b>	<b>65,695</b>	<b>446,875</b>	<b>2,306,621</b>	<b>21,372</b>	<b>8,308,850</b>
<b>Standard B Mail</b>								
25	Parcel Post	276,558	10,614	9,658	327,576	118,175	10,746	753,327
26	Bound Printed Matter	138,525	13,179	1,033	64,762	109,812	18,700	346,013
27	Special Rate	128,461	9,411	5,147	60,023	49,598	4,219	256,860
28	Library Rate	26,759	818	141	13,062	8,242	63	49,085
29	<b>Total Standard B Mail</b>	<b>570,303</b>	<b>34,022</b>	<b>15,979</b>	<b>465,424</b>	<b>285,828</b>	<b>33,728</b>	<b>1,405,285</b>
30	Free-for-the-Blind, etc.	19,852	2,049	310	4,242	4,940	363	31,757
31	International Mail	333,998	14,040	34,804	763,912	41,975	17,300	1,206,030
32	<b>TOTAL ALL MAIL</b>	<b>16,964,584</b>	<b>3,996,030</b>	<b>1,070,358</b>	<b>3,808,826</b>	<b>5,689,550</b>	<b>1,501,471</b>	<b>33,030,818</b>
33	Special Services	220,278	54,327	330,190	0	198,264	481,795	1,284,854
34	<b>TOTAL ATTRIBUTABLE COSTS</b>	<b>17,184,862</b>	<b>4,050,357</b>	<b>1,400,548</b>	<b>3,808,826</b>	<b>5,887,814</b>	<b>1,983,266</b>	<b>34,315,672</b>

**Exhibit NAA-1B**  
**ATTRIBUTABLE COSTS BY FUNCTION AND SUBCLASS**  
(Test Year After Rates)

Page 2 of 2

Line No.	Description	Mail Processing	In-Office City Delivery	Window Service	Transportation Costs	Delivery Costs	Other Costs & Adjustment	Total Attributable Costs
	First-Class Mail							
1	Single-Piece Letters	60.81%	12.25%	5.90%	4.90%	9.60%	6.54%	100.00%
2	Worksharing Letters	48.92%	15.71%	0.85%	6.79%	23.28%	4.44%	100.00%
3	Total Letters	57.94%	13.08%	4.68%	5.36%	12.90%	6.04%	100.00%
4	Single-Piece Cards	49.25%	14.44%	11.16%	2.15%	16.78%	6.22%	100.00%
5	Worksharing Postcards	48.45%	15.68%	0.91%	1.92%	28.69%	4.36%	100.00%
6	Total Cards	49.03%	14.78%	8.39%	2.09%	20.00%	5.72%	100.00%
7	Total First-Class Mail	57.64%	13.14%	4.81%	5.24%	13.14%	6.03%	100.00%
8	Priority Mail	37.16%	2.36%	3.24%	35.39%	8.40%	13.46%	100.00%
9	Express Mail	36.85%	1.20%	9.44%	16.68%	28.35%	7.48%	100.00%
10	Mailgrams	24.29%	0.00%	0.00%	0.00%	74.27%	1.44%	100.00%
	Periodicals							
11	In-County	29.30%	20.70%	0.89%	0.08%	46.44%	2.59%	100.00%
12	Outside County							
13	Nonprofit	38.40%	12.38%	0.11%	19.32%	27.47%	2.32%	100.00%
14	Classroom	57.38%	9.02%	0.00%	15.62%	17.41%	0.57%	100.00%
15	Regular Rate	47.93%	11.28%	0.22%	17.70%	20.67%	2.20%	100.00%
16	Total Periodicals	45.66%	11.83%	0.22%	17.24%	22.82%	2.23%	100.00%
	Standard A Mail							
17	Single Piece	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	100.00%
18	Commercial Regular	57.79%	14.20%	0.81%	6.12%	21.55%	-0.47%	100.00%
19	Commercial ECR	22.69%	23.89%	0.45%	3.25%	47.98%	1.73%	100.00%
20	Total Commercial	48.44%	16.78%	0.71%	5.36%	28.59%	0.11%	100.00%
21	Nonprofit	57.27%	13.38%	1.25%	5.47%	21.39%	1.25%	100.00%
22	Nonprofit ECR	33.56%	22.83%	1.01%	5.72%	37.32%	-0.43%	100.00%
23	Total Nonprofit	54.86%	14.34%	1.23%	5.49%	23.01%	1.08%	100.00%
24	Total Standard A Mail	49.39%	16.42%	0.79%	5.38%	27.76%	0.26%	100.00%
	Standard B Mail							
25	Parcel Post	36.71%	1.41%	1.28%	43.48%	15.69%	1.43%	100.00%
26	Bound Printed Matter	40.03%	3.81%	0.30%	18.72%	31.74%	5.40%	100.00%
27	Special Rate	50.01%	3.66%	2.00%	23.37%	19.31%	1.64%	100.00%
28	Library Rate	54.51%	1.67%	0.29%	26.61%	16.79%	0.13%	100.00%
29	Total Standard B Mail	40.58%	2.42%	1.14%	33.12%	20.34%	2.40%	100.00%
30	Free-for-the-Blind, etc.	62.51%	6.45%	0.98%	13.36%	15.56%	1.14%	100.00%
31	International Mail	27.69%	1.16%	2.89%	63.34%	3.48%	1.43%	100.00%
32	TOTAL ALL MAIL	51.36%	12.10%	3.24%	11.53%	17.22%	4.55%	100.00%
33	Special Services	17.14%	4.23%	25.70%	0.00%	15.43%	37.50%	100.00%
34	TOTAL ATTRIBUTABLE COSTS	50.08%	11.80%	4.08%	11.10%	17.16%	5.78%	100.00%

**Exhibit NAA-1C**  
**DERIVATION OF WEIGHTING FACTORS**

Line No.		<b>Mail Processing</b>	<b>In-Office City Delivery</b>	<b>Window Service</b>	<b>Transportation</b>	<b>Street Time Delivery</b>	<b>Other</b>	<b>Total</b>
1	Total Attributable Costs	17,184,862	4,050,357	1,400,548	3,808,826	5,887,814	1,983,266	34,315,672
2	Percent of Total Attributable	50.08%	11.80%	4.08%	11.10%	17.16%	5.78%	100.00%
3	Total Institutional Costs	5,132,943	521,349	1,464,467	556,090	10,792,205	0	18,467,054
4	Percent of Total Institutional	27.80%	2.82%	7.93%	3.01%	58.44%	0.00%	100.00%
5	% Institutional/% Attributable	55.50%	23.92%	194.30%	27.13%	340.61%	0.00%	

Line 1: Exhibit NAA-1B, page 1, line 34.

Line 2: Attributable Costs for each function in Line 1 divided by Total Attributable Cost.

Line 3: Exhibit NAA-1A, line 36.

Line 4: Institutional Costs for each function in Line 3 divided by Total Institutional Costs for these four function.

Line 5: Line 4 divided by Line 2.

**Exhibit NAA-1D**  
**WEIGHTED ATTRIBUTABLE COSTS BY FUNCTION AND SUBCLASS**  
 (Test Year After Rates)

Line No.	Description	Mail Processing	In-Office Delivery	Window Service	Transportation Costs	Street Time Delivery	Other Costs	Total Attributable Costs
1	First-Class Mail							
2	Single-Piece Letters	4,305,890	373,807	1,462,576	169,664	4,173,231	0	10,485,169
3	Worksharing Letters	1,098,892	152,087	67,128	74,537	3,209,046	0	4,601,690
4	Total Letters	5,404,783	525,894	1,529,704	244,201	7,382,277	0	15,086,859
5	Single-Piece Cards	118,149	14,931	93,707	2,521	247,107	0	476,415
6	Worksharing Postcards	43,056	6,006	2,830	833	156,449	0	209,174
7	Total Cards	161,205	20,937	96,537	3,354	403,555	0	685,589
8	Total First-Class Mail	5,565,988	546,831	1,626,241	247,555	7,785,833	0	15,772,448
9	Priority Mail	467,369	12,776	142,494	217,576	648,338	0	1,488,554
10	Express Mail	83,972	1,179	75,339	18,575	396,450	0	575,515
11	Mailgrams	68	0	0	0	1,285	0	1,354
12	Periodicals							
13	In-County	13,232	4,027	1,403	18	128,692	0	147,372
14	Outside County							
15	Nonprofit	70,651	9,815	679	17,375	310,116	0	408,635
16	Classroom	4,062	275	0	541	7,562	0	12,440
17	Regular Rate	419,771	42,555	6,647	75,787	1,110,809	0	1,655,570
18	Total Periodicals	507,717	56,672	8,729	93,720	1,557,179	0	2,224,016
19	Standard A Mail							
20	Single Piece	0	0	0	0	0	0	0
21	Commercial Regular	1,665,187	176,342	81,661	86,236	3,809,955	0	5,819,381
22	Commercial ECR	237,409	107,737	16,578	16,636	3,080,935	0	3,459,295
23	Total Commercial	1,902,596	284,079	98,239	102,873	6,890,890	0	9,278,676
24	Nonprofit	351,881	35,428	26,961	16,422	806,544	0	1,237,235
25	Nonprofit ECR	23,304	6,831	2,447	1,942	159,032	0	193,557
26	Total Nonprofit	375,185	42,260	29,408	18,364	965,576	0	1,430,792
27	Total Standard A Mail	2,277,781	326,338	127,647	121,237	7,856,466	0	10,709,468
28	Standard B Mail							
29	Parcel Post	153,497	2,539	18,765	88,871	402,511	0	666,184
30	Bound Printed Matter	76,886	3,152	2,008	17,570	374,026	0	473,642
31	Special Rate	71,300	2,251	10,000	16,284	168,934	0	268,769
32	Library Rate	14,852	196	275	3,544	28,073	0	46,939
33	Total Standard B Mail	316,534	8,137	31,048	126,269	973,545	0	1,455,535
34	Free-for-the-Blind, etc.	11,019	490	602	1,151	16,827	0	30,088
35	International Mail	185,378	3,358	67,824	207,249	142,969	0	606,579
36	TOTAL ALL MAIL	9,415,827	955,782	2,079,724	1,033,332	19,378,892	0	32,863,556
37	Special Services	122,261	12,994	641,564	0	675,297	0	1,452,116
38	TOTAL ATTRIBUTABLE COSTS	9,538,088	968,776	2,721,288	1,033,332	20,054,188	0	34,315,672
39	WEIGHTING FACTORS	55.50%	23.92%	194.30%	27.13%	340.61%	0.00%	

**Exhibit NAA-1E**  
**USPS MARKUPS BASED UPON WEIGHTED ATTRIBUTABLE COSTS**  
(Test Year After Rates)

<b>Line No.</b>	<b>Description</b>	<b>USPS Contribution at Proposed Rates</b>	<b>Weighted Attributable Costs</b>	<b>Weighted Markup</b>
	First-Class Mail			
1	Single-Piece Letters	9,390,095	10,485,169	89.56%
2	Worksharing Letters	7,418,926	4,601,690	161.22%
3	Total Letters	16,809,021	15,086,859	111.41%
4	Single-Piece Cards	228,751	476,415	48.02%
5	Worksharing Postcards	267,843	209,174	128.05%
6	Total Cards	496,594	685,589	72.43%
7	Total First-Class Mail	17,305,615	15,772,448	109.72%
8	Priority Mail	2,086,476	1,488,554	140.17%
9	Express Mail	430,652	575,515	74.83%
10	Mailgrams	4,168	1,354	307.94%
	Periodicals			
11	In-County	2,305	147,372	1.56%
12	Outside County			
13	Nonprofit	11,160	408,635	2.73%
14	Classroom	-2,215	12,440	-17.81%
15	Regular Rate	111,057	1,655,570	6.71%
16	Total Periodicals	122,307	2,224,016	5.50%
	Standard A Mail			
17	Single Piece	298	0	
18	Commercial Regular	2,830,371	5,819,381	48.64%
19	Commercial ECR	2,418,756	3,459,295	69.92%
20	Total Commercial	5,249,425	9,278,676	56.58%
21	Nonprofit	244,328	1,237,235	19.75%
22	Nonprofit ECR	76,287	193,557	39.41%
23	Total Nonprofit	320,615	1,430,792	22.41%
24	Total Standard A Mail	5,570,040	10,709,468	52.01%
	Standard B Mail			
25	Parcel Post	29,589	666,184	4.44%
26	Bound Printed Matter	178,595	473,642	37.71%
27	Special Rate	95,470	268,769	35.52%
28	Library Rate	3,342	46,939	7.12%
29	Total Standard B Mail	306,996	1,455,535	21.09%
30	Free-for-the-Blind, etc.	-31,757	30,088	-105.55%
31	International Mail	437,814	606,579	72.18%
32	<b>TOTAL ALL MAIL</b>	<b>26,232,311</b>	<b>32,863,556</b>	<b>79.82%</b>
33	Special Services	764,752	1,452,116	52.66%
34	<b>TOTAL</b>	<b>26,997,063</b>	<b>34,315,672</b>	<b>78.67%</b>

**Exhibit NAA-1F  
DERIVATION OF PIGGYBACK FACTORS FOR  
INSTITUTIONAL COSTS BY COST COMPONENT\***

Line No.		Mail Processing	Window Service	City Delivery In-Office Carriers	City Delivery Street Time	Vehicle Service Drivers	Special Delivery Messengers	Rural Carriers
1	Direct Labor	10,910,433	1,008,886	3,157,230	2,482,132	280,125	62,011	1,683,448
2	Total Estimated Attr. Costs	17,169,421	1,431,357	4,060,825	3,353,178	435,876	92,719	2,014,932
3	Piggyback Factor	1.57367	1.41875	1.28620	1.35093	1.55601	1.49520	1.19691
4	Total Estimated Attr. Costs	17,169,421	1,431,357	4,060,825	3,353,178	435,876	92,719	2,014,932
5	Less: Imputed Rents	246,796	24,683	29,185	22,945	1,524	614	11,885
6	Bldg. Depreciation	208,505	20,854	24,658	19,385	1,287	519	10,042
7	Bldg. Interest	39,239	3,925	4,641	3,648	242	98	1,890
8	Adjusted Attributable Costs	16,674,881	1,381,895	4,002,341	3,307,200	432,823	91,488	1,991,115
9	Piggyback Factor for Institutional Costs	1.52834	1.36972	1.26767	1.33240	1.54511	1.47535	1.18276

Source: Direct Labor and all Attributable Cost figures on Lines 1, 2, 4-7 from Library Reference H-77.

Line 3 = Line 2 divided by Line 1

Line 8 = Line 4 less Lines 5-7

Line 9 = Line 8 divided by Line 1

\* The piggyback factor for institutional costs in each cost segment equals the corresponding piggyback factor for the total attributable costs in the cost segment, except for the imputed rental costs and related building depreciation and interest. Since rental costs, building depreciation and building interest are 100 percent attributable based upon market values, there are no corresponding institutional costs for these cost components. Therefore, these costs are removed and the piggyback factors are recomputed to derive the appropriate piggyback factors for institutional costs.

Exhibit NAA-1A  
**ATTRIBUTABLE COSTS BY FUNCTION**  
 After Rates, Totals Include Contingency Fee

Attachment to  
 USPS/NAA-T1-1(c)  
 Page 1 of 5

Line No.	Description	Mail Processing Costs		Piggyback Factor	In-Office	Piggyback Factor	Mail
		CS 3.1	CS 4		City Delivery CS 6		Processing Total
First-Class Mail							
1	Single-Piece Letters	4,899,112	2,645	1.56702	1,205,922	1.28315	9,320,812
2	Worksharing Letters	1,221,871	631	1.60350	487,489	1.29144	2,615,745
3	Total Letters	6,120,983	3,276		1,693,411		11,936,558
4	Single-Piece Cards	137,636	77	1.53045	47,972	1.28840	275,296
5	Worksharing Postcards	49,979	26	1.53597	19,282	1.28948	102,687
6	Total Cards	187,615	103		67,254		377,982
7	Total First-Class Mail	6,308,598	3,379		1,760,665		12,314,540
8	Priority Mail	534,646	137	1.55900	39,203	1.34902	895,478
9	Express Mail	96,575	0	1.55108	3,516	1.38750	156,221
10	Mailgrams	95	0	1.28619	0	1.38662	123
Periodicals							
11	In-County	15,977	3	1.47714	13,016	1.28080	40,678
12	Outside County						
13	Nonprofit	82,589	16	1.52572	31,721	1.28082	168,328
14	Classroom	4,765	1	1.52048	891	1.27795	-8,469
15	Regular Rate	493,023	97	1.51853	137,797	1.27837	934,223
16	Total Periodicals	596,354	117		183,425		1,151,698
Standard A Mail							
17	Single Piece	87,560	23	1.58271	20,459	1.29747	0
18	Commercial Regular	1,900,197	495	1.56284	570,875	1.27869	3,737,452
19	Commercial ECR	270,838	66	1.56331	349,354	1.27657	878,178
20	Total Commercial	2,258,595	584		940,688		4,615,630
21	Nonprofit	404,828	107	1.55015	114,711	1.27847	782,108
22	Nonprofit ECR	26,167	6	1.58836	22,172	1.27543	70,549
23	Total Nonprofit	430,995	113		136,883		852,658
24	Total Standard A Mail	2,689,590	697		1,077,571		5,468,288
Standard B Mail							
25	Parcel Post	157,448		1.73911	7,865	1.33610	287,171
26	Bound Printed Matter	80,829		1.69684	9,492	1.37472	151,705
27	Special Rate	72,355		1.75785	6,921	1.34638	137,873
28	Library Rate	15,581		1.70038	596	1.35829	27,576
29	Total Standard B Mail	326,213			24,874		604,325
30	USPS Penalty Mail	80,180		1.49609	8,120	1.27571	0
31	Free-for-the-Blind, etc.	12,075		1.62782	1,596	1.27139	21,902
32	International Mail	212,491		1.55626	10,496	1.32444	348,039
33	TOTAL ALL MAIL	10,856,817	4,330		3,109,466		20,960,613
34	Special Services	119,150	98	1.82894	42,433	1.26763	274,606
35	TOTAL ATTRIBUTABLE COSTS	10,975,967	4,428	1.93392	3,151,899		21,235,219
36	INSTITUTIONAL COSTS	3,319,599	5,651	1.52834	407,192	1.26767	5,654,292

1.0% Contingency Fee included in totals for each service.

Piggyback Adjustment Factor

0.97833

Exhibit NAA-1A  
**ATTRIBUTABLE COSTS BY FUNCTION**  
 After Rates, Totals Include Contingency Fee

Attachment to  
 USPS/NAA-T1-1(c)  
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Line No.	Description	Window Service CS 3.2	Piggyback Factor	Window Service Total	Transportation Costs CS 14
<b>First-Class Mail</b>					
1	Single-Piece Letters	525,379	1.41856	752,734	625,377
2	Worksharing Letters	24,113	1.41858	34,548	274,740
3	Total Letters	549,492		787,283	900,117
4	Single-Piece Cards	33,661	1.41856	48,228	9,292
5	Worksharing Postcards	1,016	1.41920	1,456	3,070
6	Total Cards	34,677		49,684	12,362
7	Total First-Class Mail	584,169		836,967	912,479
8	Priority Mail	51,186	1.41856	73,337	801,977
9	Express Mail	27,063	1.41856	38,774	68,466
10	Mailgrams	0	1.41854	0	0
<b>Periodicals</b>					
11	In-County	502	1.42406	722	66
12	Outside County				
13	Nonprofit	245	1.41129	349	64,043
14	Classroom	0	0.00000	0	1,993
15	Regular Rate	2,389	1.41784	3,421	279,349
16	Total Periodicals	3,136		4,492	345,450
<b>Standard A Mail</b>					
17	Single Piece	2,828	1.41902	0	0
18	Commercial Regular	29,333	1.41860	42,028	317,864
19	Commercial ECR	5,956	1.41834	8,532	61,321
20	Total Commercial	38,117		50,560	379,185
21	Nonprofit	9,685	1.41852	13,876	60,529
22	Nonprofit ECR	878	1.42001	1,259	7,160
23	Total Nonprofit	10,563		15,135	67,689
24	Total Standard A Mail	48,680		65,695	446,875
<b>Standard B Mail</b>					
25	Parcel Post	6,623	1.44380	9,658	327,576
26	Bound Printed Matter	720	1.42112	1,033	64,762
27	Special Rate	3,592	1.41863	5,147	60,023
28	Library Rate	101	1.38679	141	13,062
29	Total Standard B Mail	11,036		15,979	465,424
30	USPS Penalty Mail	12,599	1.41851	0	0
31	Free-for-the-Blind, etc.	216	1.41935	310	4,242
32	International Mail	24,292	1.41854	34,804	763,912
33	<b>TOTAL ALL MAIL</b>	<b>762,377</b>		<b>1,070,358</b>	<b>3,808,826</b>
34	Special Services	230,461	1.41855	330,190	0
35	<b>TOTAL ATTRIBUTABLE COSTS</b>	<b>992,838</b>		<b>1,400,548</b>	<b>3,808,826</b>
36	<b>INSTITUTIONAL COSTS</b>	<b>1,058,584</b>	<b>1.36972</b>	<b>1,464,467</b>	<b>556,090</b>

1.0% Contingency Fee included in  
 totals for each service.



Exhibit NAA-1A  
**ATTRIBUTABLE COSTS BY FUNCTION**  
 After Rates, Totals Include Contingency Fee

Attachment to  
 USPS/NAA-T1-1(c)  
 Page 3 of 5

Line No.	Description	City Delivery Street Time CS 7	Delivery Costs Piggyback Factor	Vehical Service Drivers CS 8	VS Drivers Piggyback Factor
<b>First-Class Mail</b>					
1	Single-Piece Letters	589,656	1.34772	30,419	1.57417
2	Worksharing Letters	410,951	1.35644	20,191	1.56117
3	Total Letters	1,000,607		50,610	
4	Single-Piece Cards	35,078	1.35324	242	1.55307
5	Worksharing Postcards	20,548	1.35437	241	1.50568
6	Total Cards	55,626		483	
7	Total First-Class Mail	1,056,233		51,093	
8	Priority Mail	91,670	1.41691	24,852	1.53564
9	Express Mail	21,055	1.45732	1,718	1.55041
10	Mailgrams	194	1.45640	1	1.00000
<b>Periodicals</b>					
11	In-County	12,021	1.34526	2,484	1.56783
12	Outside County				
13	Nonprofit	28,889	1.34528	6,167	1.57706
14	Classroom	663	1.34227	245	1.60828
15	Regular Rate	100,320	1.34271	32,339	1.56908
16	Total Periodicals	141,893		41,235	
<b>Standard A Mail</b>					
17	Single Piece	9,643	1.36277	498	1.54661
18	Commercial Regular	416,889	1.34304	49,525	1.54612
19	Commercial ECR	386,059	1.34082	39,615	1.55147
20	Total Commercial	812,591		89,638	
21	Nonprofit	92,484	1.34281	7,568	1.55569
22	Nonprofit ECR	21,095	1.33962	1,800	1.55785
23	Total Nonprofit	113,579		9,368	
24	Total Standard A Mail	926,170		99,006	
<b>Standard B Mail</b>					
25	Parcel Post	41,431	1.40335	29,452	1.54678
26	Bound Printed Matter	48,823	1.44390	15,584	1.55389
27	Special Rate	23,809	1.41414	5,520	1.56238
28	Library Rate	3,997	1.42665	625	1.57491
29	Total Standard B Mail	118,060		51,181	
30	USPS Penalty Mail	3,577	1.33991	994	1.62076
31	Free-for-the-Blind, etc.	2,241	1.33537	620	1.54646
32	International Mail	12,623	1.39110	5,606	1.58193
33	<b>TOTAL ALL MAIL</b>	<b>2,373,716</b>		<b>276,306</b>	
34	Special Services	84,326	1.33143	0	
35	<b>TOTAL ATTRIBUTABLE COSTS</b>	<b>2,458,042</b>		<b>276,306</b>	
36	<b>INSTITUTIONAL COSTS</b>	<b>5,943,399</b>	<b>1.33240</b>	<b>172,666</b>	<b>1.54511</b>

1.0% Contingency Fee included in totals for each service. 1.02757

Exhibit NAA-1A  
**ATTRIBUTABLE COSTS BY FUNCTION**  
 After Rates, Totals Include Contingency Fee

Attachment to  
 USPS/NAA-T1-1(c)  
 Page 4 of 5

Line No.	Description	Special Delivery CS 9	Spec. Del. Piggyback Factor	Rural Carriers CS 10	Rural Carrier Piggyback Factor	Total Delivery Costs
<b>First-Class Mail</b>						
1	Single-Piece Letters	729	1.49657	308,636	1.19701	1,225,241
2	Worksharing Letters	346	1.48285	286,874	1.19693	942,161
3	Total Letters	1,075		595,510		2,167,401
4	Single-Piece Cards	39	1.45000	19,991	1.19702	72,549
5	Worksharing Postcards	22	1.31818	14,421	1.19661	45,933
6	Total Cards	61		34,412		118,482
7	Total First-Class Mail	1,136		629,922		2,285,883
8	Priority Mail	1,164	1.49376	15,607	1.19650	190,349
9	Express Mail	50,446	1.49538	5,397	1.19693	116,396
10	Mailgrams	53	1.43396	13	1.07692	377
<b>Periodicals</b>						
11	In-County	3	1.00000	14,487	1.19696	37,783
12	Outside County					0
13	Nonprofit	5	1.20000	34,714	1.19697	91,049
14	Classroom	0	0.00000	763	1.19805	2,220
15	Regular Rate	23	1.39130	114,811	1.19696	326,128
16	Total Periodicals	31		164,775		457,180
<b>Standard A Mail</b>						
17	Single Piece	8	1.50000	1,320	1.19660	0
18	Commercial Regular	8	1.28571	393,561	1.19684	1,118,584
19	Commercial ECR	5	1.20000	264,433	1.19686	904,548
20	Total Commercial	21		659,314		2,023,132
21	Nonprofit	3	1.00000	82,285	1.19691	236,797
22	Nonprofit ECR	3	1.00000	12,670	1.19672	46,691
23	Total Nonprofit	6		94,955		283,488
24	Total Standard A Mail	27		754,269		2,306,621
<b>Standard B Mail</b>						
25	Parcel Post	44	1.38297	11,068	1.19684	118,175
26	Bound Printed Matter	3	1.00000	11,706	1.19687	109,812
27	Special Rate	3	1.00000	5,691	1.19676	49,598
28	Library Rate	3	1.00000	1,228	1.19783	8,242
29	Total Standard B Mail	53		29,693		285,828
30	USPS Penalty Mail	1	1.00000	1,317	1.19741	0
31	Free-for-the-Blind, etc.	0	0.00000	786	1.19592	4,940
32	International Mail	8,071	1.49531	2,560	1.19639	41,975
33	<b>TOTAL ALL MAIL</b>	<b>60,982</b>		<b>1,604,339</b>		<b>5,689,550</b>
34	Special Services	60	1.44615	70,136	1.19682	198,264
35	<b>TOTAL ATTRIBUTABLE COSTS</b>	<b>61,042</b>		<b>1,674,475</b>		<b>5,887,814</b>
36	<b>INSTITUTIONAL COSTS</b>	<b>53,072</b>	<b>1.47535</b>	<b>2,047,129</b>	<b>1.18276</b>	<b>10,792,205</b>

1.0% Contingency Fee included in totals for each service.

**Exhibit NAA-1A**  
**ATTRIBUTABLE COSTS BY FUNCTION**  
After Rates, Totals Include Contingency Fee

Attachment to  
USPS/NAA-T1-1(c)  
Page 5 of 5

Line No.	Description	Other Costs & Adjustments	Total Attributable
<b>First-Class Mail</b>			
1	Single-Piece Letters	834,500	12,758,664
2	Worksharing Letters	179,890	4,047,084
3	Total Letters	1,014,389	16,805,748
4	Single-Piece Cards	26,896	432,261
5	Worksharing Postcards	6,977	160,123
6	Total Cards	33,873	592,384
7	Total First-Class Mail	1,048,263	17,398,132
8	Priority Mail	305,076	2,266,217
9	Express Mail	30,707	410,564
10	Mailgrams	7	508
<b>Periodicals</b>			
11	In-County	2,111	81,360
12	Outside County	0	
13	Nonprofit	7,703	331,471
14	Classroom	73	12,755
15	Regular Rate	34,768	1,577,889
16	Total Periodicals	44,654	2,003,475
<b>Standard A Mail</b>			
17	Single Piece	-298	-298
18	Commercial Regular	-24,255	5,191,874
19	Commercial ECR	32,669	1,885,248
20	Total Commercial	8,117	7,076,624
21	Nonprofit	13,794	1,107,105
22	Nonprofit ECR	-539	125,121
23	Total Nonprofit	13,256	1,232,226
24	Total Standard A Mail	21,372	8,308,850
<b>Standard B Mail</b>			
25	Parcel Post	10,746	753,327
26	Bound Printed Matter	18,700	346,013
27	Special Rate	4,219	256,860
28	Library Rate	63	49,085
29	Total Standard B Mail	33,728	1,405,285
30	USPS Penalty Mail	0	0
31	Free-for-the-Blind, etc.	363	31,757
32	International Mail	17,300	1,206,030
33	<b>TOTAL ALL MAIL</b>	<b>1,501,471</b>	<b>33,030,818</b>
34	Special Services	481,795	1,284,854
35	<b>TOTAL ATTRIBUTABLE COSTS</b>	<b>1,983,266</b>	<b>34,315,672</b>
36	<b>INSTITUTIONAL COSTS</b>	<b>0</b>	<b>26,997,063</b>

1.0% Contingency Fee included in  
totals for each service.

**Exhibit NAA-1B**  
**ATTRIBUTABLE COSTS BY FUNCTION AND SUBCLASS**  
 (Test Year After Rates)

Page 1 of 2

Line No.	Description	Mail Processing	Window Service	Transportation Costs	Delivery Costs	Other Costs Adjustment	Total Attributable Costs
<b>First-Class Mail</b>							
1	Single-Piece Letters	9,320,812	752,734	625,377	1,225,241	834,500	12,758,664
2	Worksharing Letters	2,615,745	34,548	274,740	942,161	179,890	4,047,084
3	Total Letters	11,936,558	787,283	900,117	2,167,401	1,014,389	16,805,748
4	Single-Piece Cards	275,296	48,228	9,292	72,549	26,896	432,261
5	Worksharing Postcards	102,687	1,456	3,070	45,933	6,977	160,123
6	Total Cards	377,982	49,684	12,362	118,482	33,873	592,384
7	Total First-Class Mail	12,314,540	836,967	912,479	2,285,883	1,048,263	17,398,132
8	Priority Mail	895,478	73,337	801,977	190,349	305,076	2,266,217
9	Express Mail	156,221	38,774	68,466	116,396	30,707	410,564
10	Mailgrams	123	0	0	377	7	508
<b>Periodicals</b>							
11	In-County	40,678	722	66	37,783	2,111	81,360
12	Outside County	0			0	0	0
13	Nonprofit	168,328	349	64,043	91,049	7,703	331,471
14	Classroom	8,469	0	1,993	2,220	73	12,755
15	Regular Rate	934,223	3,421	279,349	326,128	34,768	1,577,889
16	Total Periodicals	1,151,698	4,492	345,450	457,180	44,654	2,003,475
<b>Standard A Mail</b>							
17	Single Piece	0	0	0	0	-298	-298
18	Commercial Regular	3,737,452	42,028	317,864	1,118,584	-24,255	5,191,674
19	Commercial ECR	878,178	8,532	61,321	904,548	32,669	1,885,248
20	Total Commercial	4,615,630	50,560	379,185	2,023,132	8,117	7,076,624
21	Nonprofit	782,108	13,876	60,529	236,797	13,794	1,107,105
22	Nonprofit ECR	70,549	1,259	7,160	46,691	-539	125,121
23	Total Nonprofit	852,658	15,135	67,689	283,488	13,256	1,232,226
24	Total Standard A Mail	5,468,288	65,695	446,875	2,306,621	21,372	8,308,850
<b>Standard B Mail</b>							
25	Parcel Post	287,171	9,658	327,576	118,175	10,746	753,327
26	Bound Printed Matter	151,705	1,033	64,762	109,812	18,700	346,013
27	Special Rate	137,873	5,147	60,023	49,598	4,219	256,860
28	Library Rate	27,576	141	13,062	8,242	63	49,085
29	Total Standard B Mail	604,325	15,979	465,424	285,828	33,728	1,405,285
30	Free-for-the-Blind, etc.	21,902	310	4,242	4,940	363	31,757
31	International Mail	348,039	34,804	763,912	41,975	17,300	1,206,030
32	TOTAL ALL MAIL	20,960,613	1,070,358	3,808,826	5,689,550	1,501,471	33,030,818
33	Special Services	274,606	330,190	0	198,264	481,795	1,284,854
34	TOTAL ATTRIBUTABLE COSTS	21,235,219	1,400,548	3,808,826	5,887,814	1,983,266	34,315,672

**Exhibit NAA-1B**  
**ATTRIBUTABLE COSTS BY FUNCTION AND SUBCLASS**  
 (Test Year After Rates)

Page 2 of 2

Line No.	Description	Mail Processing	Window Service	Transportation Costs	Delivery Costs	Other Costs Adjustment	Total Attributable Costs
First-Class Mail							
1	Single-Piece Letters	73.05%	5.90%	4.90%	9.60%	6.54%	100.00%
2	Worksharing Letters	64.63%	0.85%	6.79%	23.28%	4.44%	100.00%
3	Total Letters	71.03%	4.68%	5.36%	12.90%	6.04%	100.00%
4	Single-Piece Cards	63.69%	11.16%	2.15%	16.78%	6.22%	100.00%
5	Worksharing Postcards	64.13%	0.91%	1.92%	28.69%	4.36%	100.00%
6	Total Cards	63.81%	8.39%	2.09%	20.00%	5.72%	100.00%
7	Total First-Class Mail	70.78%	4.81%	5.24%	13.14%	6.03%	100.00%
8	Priority Mail	39.51%	3.24%	35.39%	8.40%	13.46%	100.00%
9	Express Mail	38.05%	9.44%	16.68%	28.35%	7.48%	100.00%
10	Mailgrams	24.29%	0.00%	0.00%	74.27%	1.44%	100.00%
Periodicals							
11	In-County	50.00%	0.89%	0.08%	46.44%	2.59%	100.00%
12	Outside County						
13	Nonprofit	50.78%	0.11%	19.32%	27.47%	2.32%	100.00%
14	Classroom	66.40%	0.00%	15.62%	17.41%	0.57%	100.00%
15	Regular Rate	59.21%	0.22%	17.70%	20.67%	2.20%	100.00%
16	Total Periodicals	57.49%	0.22%	17.24%	22.82%	2.23%	100.00%
Standard A Mail							
17	Single Piece	0.00%	0.00%	0.00%	0.00%	100.00%	100.00%
18	Commercial Regular	71.99%	0.81%	6.12%	21.55%	-0.47%	100.00%
19	Commercial ECR	46.58%	0.45%	3.25%	47.98%	1.73%	100.00%
20	Total Commercial	65.22%	0.71%	5.36%	28.59%	0.11%	100.00%
21	Nonprofit	70.64%	1.25%	5.47%	21.39%	1.25%	100.00%
22	Nonprofit ECR	56.38%	1.01%	5.72%	37.32%	-0.43%	100.00%
23	Total Nonprofit	69.20%	1.23%	5.49%	23.01%	1.08%	100.00%
24	Total Standard A Mail	65.81%	0.79%	5.38%	27.76%	0.26%	100.00%
Standard B Mail							
25	Parcel Post	38.12%	1.28%	43.48%	15.69%	1.43%	100.00%
26	Bound Printed Matter	43.84%	0.30%	18.72%	31.74%	5.40%	100.00%
27	Special Rate	53.68%	2.00%	23.37%	19.31%	1.64%	100.00%
28	Library Rate	56.18%	0.29%	26.61%	16.79%	0.13%	100.00%
29	Total Standard B Mail	43.00%	1.14%	33.12%	20.34%	2.40%	100.00%
30	Free-for-the-Blind, etc.	68.97%	0.98%	13.36%	15.56%	1.14%	100.00%
31	International Mail	28.86%	2.89%	63.34%	3.48%	1.43%	100.00%
32	TOTAL ALL MAIL	63.46%	3.24%	11.53%	17.22%	4.55%	100.00%
33	Special Services	21.37%	25.70%	0.00%	15.43%	37.50%	100.00%
34	TOTAL ATTRIBUTABLE COSTS	61.88%	4.08%	11.10%	17.16%	5.78%	100.00%

**Exhibit NAA-1C**  
**DERIVATION OF WEIGHTING FACTORS**

Line No.		<b>Mail Processing</b>	<b>Window Service</b>	<b>Transportation</b>	<b>Delivery</b>	<b>Other</b>	<b>Total</b>
1	Total Attributable Costs	21,235,219	1,400,548	3,808,826	5,887,814	1,983,266	34,315,672
2	Percent of Total Attributable	61.88%	4.08%	11.10%	17.16%	5.78%	100.00%
3	Total Institutional Costs	5,654,292	1,464,467	556,090	10,792,205	0	18,467,054
4	Percent of Total Institutional	30.62%	7.93%	3.01%	58.44%	0.00%	100.00%
5	% Institutional/% Attributable	49.48%	194.30%	27.13%	340.61%	0.00%	

Line 1: Exhibit NAA-1B, page 1, line 34.

Line 2: Attributable Costs for each function in Line 1 divided by Total Attributable Cost.

Line 3: Exhibit NAA-1A, line 36.

Line 4: Institutional Costs for each function in Line 3 divided by Total Institutional Costs for these four function.

Line 5: Line 4 divided by Line 2.

**Exhibit NAA-1D**  
**WEIGHTED ATTRIBUTABLE COSTS BY FUNCTION AND SUBCLASS**  
 (Test Year After Rates)

Line No.	Description	Mail Processing	Window Service	Transportation Costs	Delivery Costs	Other Costs	Total Attributable Costs
1	First-Class Mail						
2	Single-Piece Letters	4,611,796	1,462,576	169,664	4,173,231	0	10,417,268
3	Worksharing Letters	1,294,231	67,128	74,537	3,209,046	0	4,644,942
4	Total Letters	5,906,027	1,529,704	244,201	7,382,277	0	15,062,210
5	Single-Piece Cards	136,212	93,707	2,521	247,107	0	479,547
6	Worksharing Postcards	50,808	2,830	833	156,449	0	210,919
7	Total Cards	187,020	96,537	3,354	403,555	0	690,466
8	Total First-Class Mail	6,093,047	1,626,241	247,555	7,785,833	0	15,752,676
9	Priority Mail	443,069	142,494	217,576	648,338	0	1,451,477
10	Express Mail	77,296	75,339	18,575	396,450	0	567,660
11	Mailgrams	61	0	0	1,285	0	1,346
12	Periodicals						
13	In-County	20,127	1,403	18	128,692	0	150,240
14	Outside County						
15	Nonprofit	83,286	679	17,375	310,116	0	411,455
16	Classroom	4,190	0	541	7,552	0	12,293
17	Regular Rate	462,239	6,647	75,787	1,110,809	0	1,655,483
18	Total Periodicals	569,843	8,729	93,720	1,557,179	0	2,229,470
19	Standard A Mail						
20	Single Piece	0	0	0	0	0	0
21	Commercial Regular	1,849,234	81,661	86,236	3,809,955	0	5,827,086
22	Commercial ECR	434,509	16,578	16,636	3,080,935	0	3,548,659
23	Total Commercial	2,283,743	98,239	102,873	6,890,890	0	9,375,745
24	Nonprofit	386,975	26,961	16,422	806,544	0	1,236,901
25	Nonprofit ECR	34,907	2,447	1,942	159,032	0	198,328
26	Total Nonprofit	421,882	29,408	18,364	965,576	0	1,435,230
27	Total Standard A Mail	2,705,626	127,647	121,237	7,856,466	0	10,810,975
28	Standard B Mail						
29	Parcel Post	142,088	18,765	88,871	402,511	0	652,236
30	Bound Printed Matter	75,061	2,008	17,570	374,026	0	468,666
31	Special Rate	68,217	10,000	16,284	168,934	0	263,436
32	Library Rate	13,644	275	3,544	28,073	0	45,536
33	Total Standard B Mail	299,011	31,048	126,269	973,545	0	1,429,874
34	Free-for-the-Blind, etc.	10,837	602	1,151	16,827	0	29,416
35	International Mail	172,204	67,624	207,249	142,969	0	590,047
36	TOTAL ALL MAIL	10,370,993	2,079,724	1,033,332	19,378,892	0	32,862,940
37	Special Services	135,871	641,564	0	675,297	0	1,452,732
38	TOTAL ATTRIBUTABLE COSTS	10,506,864	2,721,288	1,033,332	20,054,188	0	34,315,672
39	WEIGHTING FACTORS	49.48%	194.30%	27.13%	340.61%	0.00%	

**Exhibit NAA-1E**  
**USPS MARKUPS BASED UPON WEIGHTED ATTRIBUTABLE COSTS**  
(Test Year After Rates)

<b>Line No.</b>	<b>Description</b>	<b>USPS Contribution at Proposed Rates</b>	<b>Weighted Attributable Costs</b>	<b>Weighted Markup</b>
	<b>First-Class Mail</b>			
1	Single-Piece Letters	9,390,095	10,417,268	90.14%
2	Worksharing Letters	7,418,926	4,644,942	159.72%
3	Total Letters	16,809,021	15,062,210	111.60%
4	Single-Piece Cards	228,751	479,547	47.70%
5	Worksharing Postcards	267,843	210,919	126.99%
6	Total Cards	496,594	690,466	71.92%
7	Total First-Class Mail	17,305,615	15,752,676	109.86%
8	Priority Mail	2,086,476	1,451,477	143.75%
9	Express Mail	430,652	567,660	75.86%
10	Mailgrams	4,168	1,346	309.64%
	<b>Periodicals</b>			
11	In-County	2,305	150,240	1.53%
12	Outside County			
13	Nonprofit	11,160	411,455	2.71%
14	Classroom	-2,215	12,293	-18.02%
15	Regular Rate	111,057	1,655,483	6.71%
16	Total Periodicals	122,307	2,229,470	5.49%
	<b>Standard A Mail</b>			
17	Single Piece	298	0	
18	Commercial Regular	2,830,371	5,827,086	48.57%
19	Commercial ECR	2,418,756	3,548,659	68.16%
20	Total Commercial	5,249,425	9,375,745	55.99%
21	Nonprofit	244,328	1,236,901	19.75%
22	Nonprofit ECR	76,287	198,328	38.47%
23	Total Nonprofit	320,615	1,435,230	22.34%
24	Total Standard A Mail	5,570,040	10,810,975	51.52%
	<b>Standard B Mail</b>			
25	Parcel Post	29,589	652,236	4.54%
26	Bound Printed Matter	178,595	468,666	38.11%
27	Special Rate	95,470	263,436	36.24%
28	Library Rate	3,342	45,536	7.34%
29	Total Standard B Mail	306,996	1,429,874	21.47%
30	Free-for-the-Blind, etc.	-31,757	29,416	-107.96%
31	International Mail	437,814	590,047	74.20%
32	<b>TOTAL ALL MAIL</b>	<b>26,232,311</b>	<b>32,862,940</b>	<b>79.82%</b>
33	Special Services	764,752	1,452,732	52.64%
34	<b>TOTAL</b>	<b>26,997,063</b>	<b>34,315,672</b>	<b>78.67%</b>



**Exhibit NAA-1F**  
**DERIVATION OF PIGGYBACK FACTORS FOR**  
**INSTITUTIONAL COSTS BY COST COMPONENT\***

Line No.		Mail Processing	Window Service	City Delivery In-Office Carriers	City Delivery Street Time	Vehicle Service Drivers	Special Delivery Messengers	Rural Carriers
1	Direct Labor	10,910,433	1,008,886	3,157,230	2,482,132	280,125	62,011	1,683,448
2	Total Estimated Attr. Costs	17,169,421	1,431,357	4,060,825	3,353,178	435,876	92,719	2,014,932
3	Piggyback Factor	1.57367	1.41875	1.28620	1.35093	1.55601	1.49520	1.19691
4	Total Estimated Attr. Costs	17,169,421	1,431,357	4,060,825	3,353,178	435,876	92,719	2,014,932
5	Less: Imputed Rents	246,796	24,683	29,185	22,945	1,524	614	11,885
6	Bldg. Depreciation	208,505	20,854	24,658	19,385	1,287	519	10,042
7	Bldg. Interest	39,239	3,925	4,641	3,648	242	98	1,890
8	Adjusted Attributable Costs	16,674,881	1,381,895	4,002,341	3,307,200	432,823	91,488	1,991,115
9	Piggyback Factor for Institutional Costs	1.52834	1.36972	1.26767	1.33240	1.54511	1.47535	1.18276

Source: Direct Labor and all Attributable Cost figures on Lines 1, 2, 4-7 from Library Reference H-77.

Line 3 = Line 2 divided by Line 1

Line 8 = Line 4 less Lines 5-7

Line 9 = Line 8 divided by Line 1

\* The piggyback factor for institutional costs in each cost segment equals the corresponding piggyback factor for the total attributable costs in the cost segment, except for the imputed rental costs and related building depreciation and interest. Since rental costs, building depreciation and building interest are 100 percent attributable based upon market values, there are no corresponding institutional costs for these cost components. Therefore, these costs are removed and the piggyback factors are recomputed to derive the appropriate piggyback factors for institutional costs.

NAA WITNESS CHOWN ANSWERS TO INTERROGATORIES  
OF THE UNITED STATES POSTAL SERVICE

USPS/NAA-T1-2. Please refer to Opinion and Recommended Decision, Docket No. R94-1, paragraph 4010. Please explain how, if at all, your weighted attributable cost proposal would determine the " 'assignment' of the remainder [non-attributable cost] based upon non-cost factors."

Answer:

The Commission would judgmentally determine the assignment of the remainder [non-attributable cost] based upon the non-cost factors in the Act using the weighted attributable costs, rather than actual attributable costs, as the basis for this assignment.

Please see my direct testimony at page 19, lines 10-18.

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USPS/NAA-T1-3. Please refer to your testimony at page 2, lines 10-11, where you state "This proposal is a refinement of the proposal I put forward in Docket No. R90-1."

- (a) Please confirm that the only substantive difference between the methodology developed by you in your testimony in Docket No. R90-1 and the one you advance in Docket No. R97-1 is that in the former you define three "unbundled elements" whereas in the current case you have defined four such "unbundled elements" (in addition to a category you call "Other Costs & Adjustments.") If you do not confirm, please describe full all differences between your current proposal and the method you propose in Docket No. R90-1.
- (b) Please provide a mathematical formula which describes the method you currently advocate to produce weighted attributable costs.

Answer:

- (a) Not confirmed. Please see my answer to ADVO/NAA-T1-4.
- (b) Please see my answer to AMMA/NAA-T1-4(e).

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USPS/NAA-T1-4. Please refer to your testimony at page 8, lines 2-4. You state that:

"...the appropriateness of applying a markup to a single pool of attributable costs can rest upon the implicit assumption that the ratio of institutional costs to the attributable costs for each function is constant across the four functions." Please confirm that the appropriateness of applying a markup to a simple (sic) pool of attributable costs can also rely upon other factors or assumptions. If you do not confirm, please explain fully.

Answer:

As explained in my direct testimony, the appropriateness of applying a markup to a single pool of unweighted attributable costs rests upon either one of two assumptions.

As I state at page 4, lines 17-19 of my testimony,

"Applying a markup to total attributable costs is appropriate *only if* (1) all mailers buy approximately the same mix of the four basic functions *or* (2) the ratio of institutional costs to attributable costs is relatively constant across all four functions." (emphasis added)

One of these two assumptions *must* hold for it to be appropriate to apply the markup to total attributable costs. As demonstrated in my testimony, neither assumption is true today. Therefore, it is not appropriate to apply a markup to total attributable costs to determine the institutional cost contribution for each subclass.

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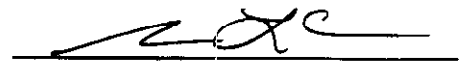
USPS/NAA-T1-5. Please refer to your testimony at pages 10-11, and in particular Table 4 on page 10. Please confirm that the current method used by the Postal Rate Commission to determine the coverage of institutional costs does not match that described in the example shown in Table 4; that is, that other considerations are taken into effect when the final assignment of institutional costs is determined. If you do not confirm, please cite specific references in the Opinion and Recommended Decision of recent rate cases that confirm the current method of assigning institutional costs as described on page 10 of your testimony.

Answer:

The example in Table 4 at page 10 assumes that the Commission finds no reason to differentiate among the classes with respect to the factors in Section 3622(b) of the Act and therefore determines that equal markups are appropriate for the three classes of mail. If the Commission determined that equal markups were appropriate for all subclasses based upon all the factors specified in the Act, then Table 4 would reflect the current method of assigning institutional costs. However, the Commission to date has never determined that all subclasses should bear equal markups.

## DECLARATION

I, Sharon L. Chown, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information and belief.

A handwritten signature in black ink, appearing to read 'Sharon L. Chown', is written over a horizontal line.

Date: FEB. 7, 1998